

IFRA-IOFI Sustainability Report Summary



2023



INTRODUCTION

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Welcome to the second IFRA-IOFI Sustainability Report.

Since our first report two years ago, the IFRA-IOFI Sustainability Charter has welcomed eleven new signatory companies to the Charter, bringing the total to 137, and the Charter text has been further enhanced. In this report, we show how participating companies are continuing to take practical steps to improve sustainability.

The Charter remains a voluntary framework, representing a collective commitment to making a difference for the planet, for people and for our business across five Focus Areas - responsible sourcing, environmental footprint and climate change, workplace culture, product safety and design, and transparency.

The Charter is the collective framework of the flavor and fragrance industries' commitment to sustainability.

First conceived in 2016, and launched in 2020, the Charter has been developed and refined, with 'Charter 2.0' reinforcing an ambitious approach to sustainability across the two industries and developing the text and expanding the toolbox for members on areas including alternatives to animal testing (the new Commitment 4.5), Green Chemistry, workplace culture, and the 'essentiality' of flavors and fragrances.

In 2021, our first Sustainability Report outlined the state of play. Since then, we are happy to report that our industries have made progress. According to the survey of members, more companies are fulfilling or are

further along the path to the 17 commitments set out in the Charter.

But now our commitment as industries goes further: since the last report, IFRA and IOFI have worked together to explore even more ways to support best practice through a range of projects and initiatives.

Established in 2021, a new IFRA-IOFI Sustainability Committee oversees this work, strengthening the involvement and engagement of members in our sustainability work and making sure that we represent the diversity of our member companies, large and small, from fragrances to flavors, and across continents. Details of this work appear in this report alongside a practical case study – bringing the results to life.

Climate change continues to be the core focal point of companies' sustainability activities and a driver to act sustainably and pursue actions that that can make a big difference.

Public authorities are acting to tackle climate change – the European Union's Green Deal being just one example – and are encouraging industries to act. We will continue to engage responsibly and supportively to ensure that policies enhance environmental, social and economic sustainability.

IFRA and IOFI will go on providing signatories and all members with its best efforts, expertise and support to help maintain the flavor and fragrance industries' continuous efforts on sustainability, in the context of the United Nations Sustainable Development Goals.

Alongside assisting signatories on their sustainability journey, one objective of the IFRA-IOFI Sustainability Report is to allow members and associations to communicate with customers, employees and authorities about the positive position and engagement of the sectors concerning sustainability and the actions taken to further improve.

'Charter 2.0' enhances the text with new references to alternatives to animal testing, workplace culture, and the 'essentiality' of flavors and fragrances. In parallel, new tools have been offered to the 137 signatories on topics such as Green Chemistry. The Charter remains a voluntary framework, representing a collective commitment to making a difference for the planet, for people and for our business across five Focus Areas and 17 commitments.

Members are making steady progress to reaching these commitments, according to responses to a survey comprising more than 30 questions (including new and more in-depth questions on greenhouse gas emissions and the use of alternatives to animal testing).

More than 70 per cent of Charter signatories provided data in response to this survey, covering the vast majority of the industries by market share, allowing us to show a representative picture of sustainability across the industries.

For **Focus Area 1 – responsible sourcing**, the survey shows that well over half of respondents have a global responsible sourcing strategy in place, and compared to 2021, more companies are planning implementation within the next 12 months.

Almost 90% of respondents engage in dialogue or active participation with local communities, initiatives and development projects. The vast majority of the market have developed roadmaps to identify, map and mitigate risks relating to labor standards as well as concrete action plans to mitigate the impact of their activities on biodiversity.

In an improvement from the last report in 2021, 80% of respondents have a global environmental impact assessment and management strategy in place or in the pipeline for the next year – a key element of **Focus Area 2 (environmental footprint and climate change)**. Nearly 90% of companies engage with external partners and programs to support and inform their strategy.

Most respondents track their energy footprint, water consumption and greenhouse gas

(GHG) emissions and take steps to reduce them; two-thirds measure and track their waste footprint and take action to reduce it by means of better integration of circular economy principles.

Meanwhile, Green Chemistry has seen a big uptake since the previous report, with more companies developing assessment tools to fully incorporate these principles into their manufacturing processes.

On **Focus Area 3 – workplace culture** - results are similar to the previous report, with around 70% of respondents having a global occupational health and safety (OHS) strategy in place, and 16 more planning it for the next 12 months.

Most of the market regularly offers training programs and integrates the development of their workforce into their policies and processes. It is likely that the COVID-19 pandemic had an impact on training strategies that companies will need to adapt to and address. Nearly half of respondents fully integrate equality, diversity and inclusion principles into their policies and processes.

Product safety remains a non-negotiable requirement. It is a concept at the heart of everything the flavor and fragrance industries do. In response to questions on **Focus Area 4 (product safety and design)**, the survey found that nearly 90% of respondents either occasionally (47%) or systematically (42%) engage with customers to improve the health and safety impact of their products.

Three in five respondents go beyond legal requirements to provide information and education on the safety of materials. Seventy per cent of respondents use animal testing only when it is required by law and when there are no legal non-animal testing alternatives available, with a number of companies engaging proactively on new approaches towards alternatives to animal testing or progressively developing roadmaps to stop the use of animal testing for safety assessments.

On **Focus Area 5 (transparency)**, nearly three in four respondents have a global responsive governance strategy in place or have one planned for implementation over the course of the next 12 months.

Almost 80% of respondents have established processes to prevent anti-competitive behavior, corruption and bribery practices; for half of these companies, there are formal anti-corruption documents signed by all

employees, with penalties in case of violations.

Almost all companies engage in some form of dialogue with stakeholders, while more than half of respondents go beyond mandatory requirements to report on their sustainability performance.

Since the last report, IFRA and IOFI have worked together to further support best practice, including through the **IFRA-IOFI Sustainability Community**, a knowledge exchange and educational platform for Charter signatories and IFRA and IOFI national associations. The Community held a series of webinars, including one with ex-Unilever CEO Paul Polman and another with Arab Hoballah, one of the fathers of the global Sustainable Development Goal on Sustainable Consumption and Production (SDG 12).

A new **IFRA-IOFI Sustainability Committee**, established in 2021, further coordinates the industries' common sustainability activities, strengthening the involvement of members and making sure that we represent the diversity of our industries.

The Committee has renewed the Charter, and identified some key areas for the industries to address collectively (notably carbon footprint, deforestation, and the ongoing work on a glossary of definitions of sustainability terms, as well as IFRA's work on a Green Chemistry compass).

On **carbon footprint**, flavor and fragrance companies noted the need to work collaboratively on the provision of guidance for members and capacity-building as well as on development of quantitative industry-wide measurements for Scope I and Scope II carbon emissions.

IFRA and IOFI have worked on creating a 'toolbox' for members that do not have dedicated expertise on carbon footprint; in 2023, training materials will be made available for download. IFRA and IOFI are hosting webinars to provide support and guidance to members.

Deforestation was another key topic identified by members. While the flavor and fragrance industries are not as closely implicated as some other sectors, we looked in particular at how palm oil is used directly or indirectly and identified a list of ten materials for attention.

Data from IFRA-IOFI members showed a significant improvement from 2019 to 2021 in

the proportion of certified 'Mass-Balance +' palm oil. IFRA and IOFI are now looking at other commodities that may be addressed in the context of deforestation.

The new **Green Chemistry Compass** is a harmonized tool developed by IFRA and made available via the Charter toolbox to support Commitment 2.3 of the Charter.

It helps manufacturers and blenders incorporate the 12 Green Chemistry Principles. The Compass is a living document and the first phase in the development of sector-wide Green Chemistry tool focused on different aspects of a company's manufacturing inputs and processes.

A further (ongoing) workstream identified by the Committee was to develop a set of **harmonized definitions** of around 50 sustainability-related terms relevant to the flavor and fragrance industries and publish a 'Definitions and Guiding Principles Glossary'.

The responses to our survey of signatories to the Charter is one useful indicator of how sustainable the flavor and fragrance industries are, but we are also looking at other ways to **quantify and measure progress** in a broader sense.

One approach is external evaluation, such as that provided by EcoVadis, a provider of business sustainability ratings. Under this system, the average score for eight larger multinational IFRA-IOFI companies has been at platinum level for the last three years, equivalent to the top one per cent of companies following the EcoVadis assessment.

The scores for a second group of six regional members are on the silver-gold borderline in 2021 and 2022 (gold corresponding to the leading five per cent of assessed companies).

Since 2021, good progress has been made on sustainability in general and on the Charter in particular. Meanwhile, companies, governments and society at large, are showing a deeper interest in sustainability, both in scope and detail. New requirements and considerations will continue to emerge – such as on water use and conservation. We have made great strides, but there is much still to do.

IFRA and IOFI will continue to provide the support and tools to help members on this journey and build a sustainable future for the good of people, planet, and business.

2023 RESULTS: INTRODUCTION

This second IFRA-IOFI Sustainability Report is an important opportunity to measure progress, two years since our initial survey of Charter signatory companies.

Of the 137 signatories to the Charter, more than 70 per cent took part in this second survey. With 100 respondents, the number of companies completing the survey is similar to that of the first report in 2021.

Many thanks to all those who took the extra time and effort to respond to the survey.

Collectively, the respondents cover the vast majority of the industries by market share, allowing us to present a representative picture of sustainability across the industries.

While the principal metric used in this report is the number of companies – allowing us to assess progress from small businesses to large multinationals – it is also important to

give a more balanced reflection of the sustainability profile of the industries by taking into account market share. We have therefore used available data to comment on the industries' overall sustainability profile based on the size of companies.

The survey included more than 30 questions based on the five Focus Areas and 17 commitments. Signatory companies gave a self-assessment of their sustainability efforts - an indication of whether they have programs in place or were planning initiatives; the extent to which they reported their work; and how they complied with internationally recognized norms and standards.

In comparison to the previous report, we have added some extra questions to reflect the updated Charter, collecting more in-depth responses on topics including greenhouse gas emissions and the use of alternatives to animal testing.

Note

One hundred companies responded to the survey, although not all respondents answered all questions. For most questions, companies were asked to select one answer only; where multiple answers could be given, this is highlighted.

FOCUS AREA 1

RESPONSIBLE SOURCING

Promote the responsible sourcing of all raw materials (renewable or fossil based), indirect materials and services throughout the value chain

About this focus area

The flavor and fragrance industries have a key role to play in socio-economic development relating to the sourcing of raw materials – notably in relation to job creation, skills development and the improvement of employment prospects. This is especially important for people living far from the main centers of employment.

F&F companies must ensure respect for human rights and labor standards in our activities and products, as well as in our business relationships and in monitoring the activities of partners. In areas where there is political instability or even conflict, companies must be especially vigilant.

In their operations and supply chains, F&F companies rely on a variety of ecosystem services that are generally classified as common property and/or public goods, and which must be protected. The protection and/or rehabilitation of biodiversity is an imperative as well as an opportunity to develop new projects and engage employees and wider communities.

As responsible industries, we should also seek to go beyond our core business activities by contributing to dynamic and positive change at a local level, whether through involvement in education or culture, community cohesion or wider technological development.

Results in summary

The survey shows that well over half of respondents have a global responsible sourcing strategy in place.

Compared to the previous report, a larger number are planning implementation within the next 12 months, with the number of companies not having a strategy in place falling compared to the 2021 report.

Nearly four in every five respondents engage with external partners to support and inform their strategy, with more than a third of all respondents using EcoVadis. More than a quarter of all respondents use SMETA (Sedex Member Ethical Trade Audit).

On Commitment 1.1, almost 90% of respondents engage in dialogue or active participation with local communities, initiatives and development projects.

Although the number of companies proactively allocating budget to develop or participate in initiatives that contribute to the development of local communities fell in comparison to the previous report, such companies still cover most of the flavor and fragrance market.

Companies representing the vast majority of the market have developed roadmaps to identify, map and mitigate risks relating to labor standards (Commitment 1.2).

On Commitment 1.3, we see similar results to 2021 in terms of biodiversity and ecosystem protection plans, with many of the largest companies, covering most of the market, having concrete action plans to mitigate the impact of their activities on biodiversity.



Activities under this Focus Area relate to the following UN Sustainable Development Goals, ranked according to relevance

15 LIFE ON LAND

12 RESPONSIBLE CONSUMPTION & PRODUCTION

08 DECENT WORK AND ECONOMIC GROWTH

ENVIRONMENTAL FOOTPRINT AND CLIMATE CHANGE

Contribute to climate change mitigation and continuously reduce the environmental footprint of our product portfolio

About this focus area

Increasing concerns over climate change, environmental footprint and waste management have raised expectations of industry. Regulators, customers and other stakeholders want to know how we will anticipate issues, diminish risks, lower emissions and develop solutions.

The flavor and fragrance industries are committed to a circular economy / upcycling approach with practical measures that include limiting the environmental impact of their facilities and investing to comply with environmental rules (such as the EU's proposed 'Safe and Sustainable by Design' approach).

Engaging in a circular economy approach requires us to rethink the old industry model and adapt it to changed societal expectations. For example, waste is becoming either a material resource or an energy resource (through recycling and energy recovery), with a circular economy approach allowing companies to create value and make savings by lowering waste treatment costs or reusing materials.

To ensure resource availability in the future, companies should ensure that the raw materials used in our product portfolio - whether natural or synthetic - are used efficiently. The sustainability and environmental footprint of both natural and synthetic ingredients will need to be considered, recognizing that synthetic production can be more sustainable than use of natural ingredients.

In addition, companies should use energy, water and other resources carefully, and implement the principles of Green Chemistry, in the knowledge that resource consumption is closely linked to their overall environmental impact - both globally and locally.

Other concerns relate to the use of non-renewable resources. Optimizing consumption not only reduces the environmental impact but can give companies a competitive edge.

Results in summary

In an improvement from 2021, 80% of respondents have a global environmental impact assessment and management strategy in place or in the pipeline for the next 12 months. Nearly 90% of companies engage with external partners and programs to support and inform their strategy.

As with Focus Area 1, the most popular partners are EcoVadis (80% of respondents) and SMETA (Sedex Member Ethical Trade Audit - 68%).

Fourteen per cent of respondents, covering the vast majority of the market, lead life-cycle assessments and integrate eco-design principles into their processes, while two-thirds of respondents have partially integrated eco-design principles into their processes or are considering it.

On Commitment 2.1, most respondents track their energy footprint, water consumption and greenhouse gas (GHG) emissions and take steps to reduce them. On GHG emissions, the survey for this report included questions on the type of emissions that are measured. More than half of all respondents covering Scope 1 and 2 - essentially emissions owned or controlled by a company.

(Just under a third of all respondents cover Scopes 1 and 2 as well as Scope 3 emissions, which essentially occur upstream and are related to the sourcing of natural raw materials.)

Two-thirds of respondents measure and track their waste footprint and take action to reduce it by means of better integration of circular economy principles (Commitment 2.2).

Green Chemistry (Commitment 2.3) has seen a big uptake since the previous report: more companies develop assessment tools to fully incorporate Green Chemistry principles into their manufacturing processes, and more than half implement Green Chemistry principles in some way (up from less than 40%). Two in five respondents expressed interest in IFRA's Green Chemistry Compass, a collective, complementary and voluntary tool in this area.



Activities under this Focus Area relate to the following UN Sustainable Development Goals, ranked according to relevance

12 RESPONSIBLE CONSUMPTION & PRODUCTION

09 INDUSTRY, INNOVATION & INFRASTRUCTURE

13 CLIMATE ACTION

FOCUS AREA 3

WORKPLACE CULTURE

Enhance a safe, attractive and rewarding workplace culture

About this focus area

Companies have a moral and legal duty to ensure health and safety at work. But there is also an economic incentive: prevention helps to reduce risks, prevent accidents and illness, and boost economic performance.

Given the materials used, the flavor and fragrance industries have the potential to expose workers to potential occupational risks.

We must therefore anticipate and limit the risks associated with products and processes to ensure the health and safety of employees.

Like other industries, we must address physical risks (from travel, musculoskeletal disorders, lifting, electrical charge, noise and so on) as well as psychological and social hazards. These issues also affect our employees and service providers, who should be informed of health and safety rules and guidance.

The flavor and fragrance industries, as significant employers, have a role to play in subjects such as equal pay and protection of certain groups in the workforce (such as young people, older people and people with disabilities).

The challenge is to allow the diverse talents of the industries to express themselves fully and sustainably in the company, and to respect all differences.

By implementing a diversity and equal opportunities policy and promoting inclusion, companies can increase their attractiveness as employers and improve performance.

A well-established social dialogue improves the functioning of companies and reduces the risk of conflict. Involving employees in the development and implementation of their own working conditions increases their satisfaction, well-being, motivation, loyalty and performance.

Results in summary

In similar results to the previous report, around 70% of respondents have a global occupational health and safety (OHS) strategy in place, with 16 more planning it for the next 12 months.

More than half of respondents engage with external partners and programs to support and inform their strategies – EcoVadis and SMETA (Sedex Member Ethical Trade Audit) being the most popular options, each being used by more than a third of all companies surveyed.

On Commitment 3.1, more than half of respondents develop and implement a comprehensive OHS management program aimed at preventing occupational diseases and reducing the severity and frequency of workplace incidents, an improvement on the previous report.

Similar results to 2021 are shown for training and development, with just under half of responding companies (but most of the market) regularly offering training programs and integrating the development of their workforce in their policies and processes for both employees and governing bodies (Commitment 3.2). It is likely that the COVID-19 pandemic had an impact on training strategies that companies will need to adapt to and address.

Regarding equality, diversity and inclusion, nearly half of respondents fully embed these principles in their policies and processes for both employees and governing bodies (Commitment 3.3).



Activities under this Focus Area relate to the following UN Sustainable Development Goals, ranked according to relevance

08 DECENT WORK & ECONOMIC GROWTH

05 GENDER EQUALITY

10 REDUCED INEQUALITIES

04 QUALITY EDUCATION

PRODUCT SAFETY AND DESIGN

Be at the leading edge of product safety and design

About this focus area

Good manufacturing processes are the starting point for the development of products with a high level of safety and a good environmental profile.

The benefits for companies of high-quality processes and products are significant – not only in relation to consumer satisfaction and protection, but also in terms of financial savings and competitive advantage.

‘Safety by design’ means that companies need to rethink key phases in a product life cycle, from manufacturing, to use, to end-of-life.

It means managing risk, meeting customer and consumer expectations regarding protection of human health and the environment, developing systems that ensure that the right people have the right information at the right time.

Results in summary

Product safety is a non-negotiable requirement and is at the heart of all the flavor and fragrance industries do.

The questions asked on this topic are therefore more limited than those on other focus areas.

Nevertheless, our survey looked at how Charter signatories work with value chain partners to design products that are safe for consumers and the environment (Commitment 4.1), with nearly 90% of respondents either occasionally (47%) or systematically (42%) engaging with customers to improve the health and safety impact of their products.

On product stewardship (Commitment 4.4), three in five respondents go beyond legal requirements to establish a consistent strategy to disseminate information on the safety of materials or to disseminate information and provide educational support in a proactive way.

Regarding the new Commitment 4.5 on collaborating on new approaches towards alternatives to animal testing, 70% of respondents use animal testing only when it is required by law and when there are no legal non-animal testing alternatives available.

Eight large companies engage on new approaches towards alternatives to animal testing or have developed a roadmap to progressively stop the use of animal testing for safety assessments, unless required by law.



Activities under this Focus Area relate to the following UN Sustainable Development Goals, ranked according to relevance

FOCUS AREA 5

TRANSPARENCY

Be a transparent and reliable partner to our stakeholders and society

About this focus area

Business ethics guide companies to make decisions that are fair and transparent and to prevent risks associated with unethical business or industrial practices.

Business failures in this area can have a significant impact in terms of reputational damage, as well as leading to possible commercial, civil or criminal penalties.

With a strategy in place, a company should develop indicators that allow analysis and follow-up of results and define a new direction if necessary.

Although reporting is not an end in itself, these indicators must be considered as a tool for continuous improvement.

Externally, a company can communicate on these indicators to strengthen the credibility of its actions and set an example.

Building dialogue with external stakeholders helps to create an environment that is conducive to understanding of a company's business and helps it to improve.

Results in summary

Nearly three in four respondents have a global responsive governance strategy in place or have one planned for the next 12 months, including all the largest companies.

On Commitment 5.1, almost 80% of respondents have established processes to prevent anti-competitive behavior, corruption and bribery practices.

Among these 80%, half of them have formal anti-corruption documents signed by all employees, with penalties in case of violations.

Regarding multi-stakeholder dialogue (Commitment 5.2), almost all companies engage in some form of dialogue with stakeholders, while on reporting (Commitment 5.3), more than half of respondents go beyond mandatory requirements to report on their sustainability performance.

Two-thirds of those who do base their reporting on the United Nations Sustainable Development Goals (SDGs), while the Global Reporting Initiative (GRI) and the UN Global Compact are other often-cited tools.



Activities under this Focus Area relate to the following UN Sustainable Development Goals, ranked according to relevance

17 PARTNERSHIPS FOR THE GOALS

16 PEACE, JUSTICE & STRONG INSTITUTIONS

SUSTAINABILITY COMMITTEE

With the publication of the first IFRA-IOFI Sustainability Report in 2021, the two Associations began work on further coordinating the industries' common sustainability activities – both within the Charter framework and beyond.

A new IFRA-IOFI Sustainability Committee oversees these endeavours, strengthening the involvement of members in our sustainability activities and making sure that we represent the diversity of our industries and needs of companies, large and small, along the flavor and fragrance value chains, and across continents.

The Committee's goals are to define the common milestones and deliverables, ensure consistent messaging, monitor the external environment, provide input on new regulations, and to support implementation and raise awareness of the Sustainability Charter.

The Committee has renewed the Charter, maintaining the basic structure of the Focus Areas but putting an additional focus on topics such as biodiversity, alternatives to animal testing, and workplace culture. IFRA launched a parallel project on Green Chemistry as an element of safe and sustainable design.

At the same time, the Committee has taken a wider view of sustainability, involving the Sustainability Community of Charter signatories as well as the broader IFRA and IOFI membership in identifying new sustainability topics for the industries to address collectively.

Based on a member survey, the Committee decided to pursue the topics of carbon footprint, deforestation, and the creation of a glossary of definitions of sustainability terms.

Meanwhile, each industry has pushed forward with subjects that are of specific relevance: for IFRA, this has included the development of a Green Chemistry compass as a common tool contributing to safe and sustainable design.

SUSTAINABILITY COMMUNITY

Created shortly after the launch of the IFRA-IOFI Sustainability Charter in 2020, the Sustainability Community is a broader knowledge exchange and educational platform for signatories and for IFRA and IOFI national associations to come together and discuss sustainability topics, issues and solutions relating to the Charter.

In 2022 and 2023, there were a series of Sustainability Community webinars, including one in April with Paul Polman, former Unilever CEO, on 'Net Positive', his recently launched book with Andrew Winston. Paul shared his learnings from corporate experience and explained how the companies of the future will profit by fixing the world's problems that are already created.

In September 2022 we hosted a webinar with Arab Hoballah on 'Be responsible, be the change;'. Arab Hoballah, Executive Director of SEED-Entrepreneurship for Sustainable Development, is a renowned leader within the United Nations Network and one of the fathers of the global Sustainable Development Goal on Sustainable Consumption and Production (SDG 12).

He shared his experiences on how to foster SME entrepreneurship and capacity-building, in particular for small companies who often have constrained resources.

As well as a webinar on Access and Benefit Sharing Regulation in Latin America, two other member webinars were organized in January 2023 to support capacity-building and information-sharing: one with the law firm Mayer Brown on the EU Corporate Sustainability Reporting and Due Diligence Directives, and a second on the Sustainability Charter Review and progress report.



KEY TOPICS

CARBON FOOTPRINT

Carbon footprint was the principal area identified for deeper work in the survey of Committee members in early 2022 – notably in the light of the high priority given to this topic by policymakers and regulators.

Flavor and fragrance companies noted the need to work collaboratively in two areas in particular: first, the provision of guidance for members and capacity-building; and second, the development of quantitative industry-wide measurements for Scope 1 and Scope 2 carbon emissions (these emissions being produced as part of a company's activities, as opposed to Scope 3 emissions, which are emissions a company is responsible for outside of its own walls, whether upstream and downstream).

In 2022, IFRA and IOFI worked on creating a 'toolbox' targeting IFRA and IOFI members that do not have dedicated expertise on carbon footprint.

This toolbox includes guidance on CO₂ calculation methods as well as information on common standards, such as those developed by the Carbon Disclosure Project (CDP) or the Global Reporting Initiative (GRI), and on product-level measures and standards (such as the European Union's Product Environmental Footprint and ISO standards).

From 2023, training materials will be made available for download, and IFRA and IOFI are hosting webinars to provide support and guidance to members. The training program will also look to leverage good practice, such as the Product Carbon Footprint (PCF) Guideline by Together for Sustainability (TfS).

Alongside capacity-building, work is progressing on quantitative analysis to build an overview of the impact of the F&F industries. In full compliance with anti-trust rules, initial steps have been taken to gather and aggregate data from member companies, although this task is difficult given differences in measurement and timeframes.

While there is clear evidence of progress – for example, some companies have less than half the carbon footprint per ton produced than was the case two decades ago – further work is needed on building a model and gathering data before reliable information can be shared in a future Sustainability Report.

DEFORESTATION

Deforestation was a second key topic identified by members at the start of the work of the Sustainability Committee.

While the F&F industries are not as closely implicated as some other sectors in the need to prevent deforestation, the industries decided that there was a need to identify commodities at risk of being linked to deforestation (such as palm, soy, timber, cattle products, cocoa, vanilla and their derivatives).

This was the first step in a process that looked at whether and how materials were linked to deforestation – for example, how palm oil is used directly or indirectly through fractions or derivative products.

Based on this assessment, we identified a list of the top ten materials where sourcing needs particular attention as they can originate from palm and mapped out external programs addressing deforestation for palm oil, focusing on the Roundtable on Sustainable Palm Oil (RSPO).

Volumetric data from IFRA-IOFI members, largely obtained from members' RSPO Annual Communication of Progress (ACOP) declarations, was aggregated and showed a significant improvement from 2019 (when 29.1% of the volume of palm products was certified as 'Mass-Balance +') to 2021 (by when the ratio had almost doubled to 57.1%).

Based on the experience with palm oil, IFRA and IOFI are looking at other commodities that may need to be addressed in the context of deforestation.

Beyond commodities, a number of natural raw materials critical to the flavor and fragrance industries come from the developing world, where there can be concerns about environmental standards.

One of the flavor industry's most emblematic naturals is vanilla. To ensure a viable future the Sustainable Vanilla Initiative (SVI) was formed in 2015, bringing together members of the vanilla value chain from producers to users. The aim of the SVI is to improve conditions in the field through collective action, and members report annually to the SVI the ratio of sustainably sourced and traceable vanilla they produce or use.



GREEN CHEMISTRY

Green Chemistry is the use of a set of 12 Principles to improve the processes of chemicals made in the design, manufacture and application of chemical products and to optimize resource use at each stage of the life cycle. It focuses on optimizing sourcing from renewable resources, saving energy and minimizing our environmental footprint.

Green Chemistry applies across all areas of chemistry. It prevents pollution at molecular level, applying innovative scientific solutions to real-world environmental problems.

It reduces the use of source materials and the generation of pollution, lowers the negative impacts of chemical products and processes on human health and the environment, and lessens and sometimes eliminates hazard from existing products and processes.

The IFRA Green Chemistry Compass is a harmonized tool developed by IFRA and made available to all Charter signatories via the Charter toolbox, to support Commitment 2.3. It aims to help manufacturers and blenders across the board – irrespective of size, location, or the type of products they make (natural extracts, bioengineered molecules, and synthetically derived molecules).

The Compass helps companies to incorporate 12 Principles across company platforms and throughout the life-cycle of their products, ranging from ingredient sourcing to manufacturing, and taking into account health and safety. It helps companies to make conscious and systematic ingredient and innovation choices that are less harmful to people and the planet and staying ahead of regulations that bring new safety and sustainability requirements (such as the 'Safe and Sustainable by Design' concept introduced in the European Union's new Chemicals Strategy for Sustainability).

This Compass is a living document and the first phase in the development of sector-wide Green Chemistry tool focused on different aspects of a company's manufacturing inputs and processes for a given product (including ingredients, processes, waste, energy, catalysts, and solvents).

DEFINITIONS AND GUIDELINES

A further workstream identified by Charter signatories was definitions and guidelines principles - a project that is still ongoing.

The aim of this project is to develop a set of harmonised definitions of sustainability-related terms relevant to the flavor and fragrance industries and publish in due course a 'Definitions and Guiding Principles Glossary' that covers general, broad, cross-industries terms (such as 'circularity') as well as more specific F&F-related terms (including 'sustainable fragrance' and 'upcycled ingredient').

The terms, which are defined are those related to the IFRA-IOFI Sustainability Charter Focus Areas. Many sustainability terms are high-level and generic, and need to be defined more specifically in a sectorial context in order to make them understood and actionable.

The broad sustainability definitions were annotated to a F&F context via a tiered approach, focussing initially on mandatory regulatory definitions, then existing norms impacting flavor and fragrance formulations (including ISO norms, and the IFRA Standards), and finally taking into account customer initiatives or requests.

The definitions working group identified around 50 relevant sustainability terms. It continues to work with specialist groups within IFRA and IOFI to develop expert-led and harmonised definitions and guiding principles that help Charter signatories, the wider IFRA and IOFI membership, and stakeholders in the flavor and fragrance value chains.



QUANTIFYING PROGRESS ACROSS THE F&F INDUSTRIES

The responses to our survey of signatories to the Charter is one useful indicator of how sustainable the flavor and fragrance industries are – but we are also looking at other ways to quantify and measure progress in a broader sense.

One such approach is to have some form of external evaluation, such as that provided by EcoVadis, a provider of business sustainability ratings.

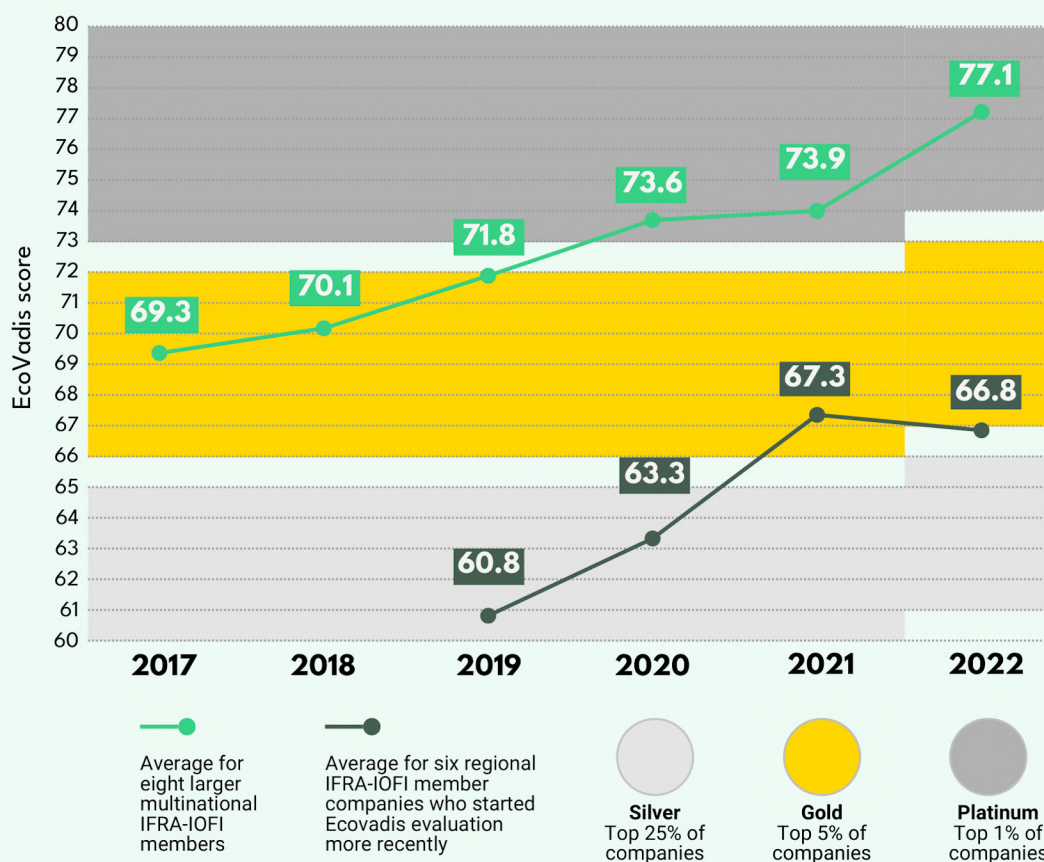
The reliability of this data is dependent on self-declared information from companies; nevertheless, EcoVadis is a useful partner, as it is both a highly-respected organization and is well known and used in the flavor and fragrance industries.

EcoVadis scores were obtained from two groups of companies and averaged. The first group of eight companies were evaluated from 2017 to 2022. This includes the largest multinational IFRA-IOFI members.

The second group of six companies started EcoVadis evaluation more recently and includes regional IFRA-IOFI members. For the purposes of providing a meaningful average, data for 2019-2022 is shown.

The results (below) are encouraging and the EcoVadis assessment, which collects and processes high-quality data, provides strong evidence to support the high standards of the IFRA-IOFI members and the continuous drive for improvement.

Aggregation of EcoVadis scores of IFRA-IOFI company members



JONATHAN WARR CHAIR IFRA-IOFI SUSTAINABILITY COMMITTEE



Thank you for reading our latest IFRA-IOFI Sustainability Report.

Since becoming Chair of the new Sustainability Committee in 2021, I have been pleased to see the progress we have made on the Charter – with new members, an updated Charter, and practical steps forward on each Focus Area as highlighted in this Report – as well as on other sustainability-related activities.

The workstreams on carbon footprint, deforestation, the ongoing definitions and guidelines glossary, along with the quantifying process and IFRA's work on the Green Chemistry Compass – have helped us to go deeper into these crucial issues for a more sustainable future, which are now firmly embedded in the culture and thinking of our industries.

And it cannot be any other way.

Companies, governments and society at large, are showing a deeper interest in sustainability, both in scope and detail. From COP27, to California SB 32, to the European Union's Green Deal, with its many initiatives and proposals for legislation, we are all on a sustainability journey and we each have to play our part in setting the speed and direction.

On that journey, new challenges will emerge. The EU's Product Environmental Footprint initiative is something that was not even considered five years ago, but is now an important consideration for companies. Our 'Charter 2.0' has already reflected this move but we need to ensure that changes and new requirements are workable and that they take

account of concepts such as 'biogenic carbon'.

We have begun work on the topic of deforestation as a key metric of sustainable sourcing, but the concept within society is already shifting to one that includes considerations of human rights, child labor and the broader subject of biodiversity.

Greater due diligence concerning sourcing will be needed. Again in the EU, following on from the EU deforestation-free regulation (EUDR), a new Corporate Sustainability Due Diligence Directive (CSDDD) is turning the concept into law.

In line with the member survey, reducing CO₂ emissions, where both members and customers have made quantitative commitments, remains the most acute industry sustainability topic, followed by sustainable sourcing of renewables.

New requirements and considerations will continue to emerge; in the face of extreme weather and notably increased drought, water use and conservation is another key issue on the horizon.

This second IFRA-IOFI Sustainability Report is the next step on our industries' sustainability journey. We have made great strides, but there is much still to do, and the path is not always clear.

IFRA and IOFI will continue to provide support and tools to help members on this journey and build a sustainable future for the good of our businesses, people, and the planet.



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